Overview of Financial Results

(1) Overview of consolidated financial results for the third quarter of the fiscal year ending March 31, 2025

i. Overview of overall financial performance

During the third quarter (April 1, 2024 to December 31, 2024) of the fiscal year ending March 31, 2025, the global economy experienced moderate but stable growth as inflation subsided and monetary policy normalized. The Japanese economy remained steady, bolstered by improved employment and income conditions as well as strong inbound tourist demand, although high prices partially stalled the recovery of personal consumption. Domestic and international inflation trends as well as policy and geopolitical risks in various countries and regions require continued close monitoring.

Construction demand remained steady in the public and private sectors of the domestic construction market. Due to high prices and increased construction volume, material and equipment prices remained high overall, and labor costs also rose in some regions and occupations.

In this environment, the Kajima Group’s financial results for the third quarter of the fiscal year ending March 31, 2025 were as follows.

Consolidated construction contract awards, both in Japan and overseas, fell below the high recorded in the same period of the previous fiscal year, coming in at 1,930.9 billion yen (compared with 2,092.3 billion yen in the same period of the previous fiscal year), a 7.7% year-on-year decrease. Non-consolidated contract awards, including those for the real estate development and other businesses, declined 5.2% year on year to 1,292.3 billion yen (compared with 1,363.8 billion yen in the same period of the previous fiscal year).

Revenues rose 1.6% year on year to 2,026.3 billion yen (compared with 1,994.6 billion yen in the same period of the previous fiscal year) mainly due to increased revenues from overseas subsidiaries and affiliates.

Although overseas subsidiaries and affiliates reported higher profits than in the same period of the previous fiscal year, operating income fell 7.4% from the same period of the previous fiscal year to 94.6 billion yen (compared with 102.1 billion yen in the same period of the previous fiscal year) and ordinary income decreased 10.3% to 101.2 billion yen (compared with 112.8 billion yen in the same period of the previous fiscal year) due to lower gross profits from the Company’s building construction business as well as a decrease in gross profit from the real estate development and other businesses at the Company and its domestic subsidiaries and affiliates. Net income attributable to owners of the parent declined 2.7% year on year to 74.5 billion yen (compared with 76.6 billion yen in the same period of the previous fiscal year), despite an increase in extraordinary income mainly due to a gain on sales of investment securities.

Third quarter performance by business was as follows.

Revenues in the Company’s construction business fell short of the same period of the previous fiscal year due to lower revenues from the building construction business, mainly due to many large projects in the early stages of construction. However, the Company is progressing steadily against its full-year forecast by addressing challenges such as rising construction costs and regulations capping overtime work. Gross profit margins in the civil engineering (14.4%) and the building construction (9.4%) businesses were higher than in the second quarter (13.5% and 8.8%, respectively). To further improve gross profit margins, the Company is working to raise productivity and lower costs while closely monitoring construction cost trends. In the real estate development and other businesses, revenues and gross profit fell below that of the same period of the previous fiscal year. However, with the delivery of condominiums and the sale of office buildings expected in the fourth quarter, revenues and gross profit for the full year are expected to exceed those of the previous fiscal year.

Despite lower revenues and income year on year due to the sale of real estate for sale held by real estate development-related subsidiaries and affiliates in the previous fiscal year, domestic subsidiaries and affiliates maintained stable performance and contributed to consolidated financial results. The performance of overseas subsidiaries and affiliates improved substantially compared to the second quarter as revenues and income improved year on year due to a steady increase in gross profit from the construction business in Southeast Asia and the sale of 14 properties in the distribution warehouse development business in the U.S.

Based on the performance of each business, the Company has revised its full-year consolidated financial results forecast upward. The Company now forecasts both revenues and income to be higher: revenues at 2,870 billion yen, up 70 billion yen over the previous forecast, and net income attributable to owners of the parent a 120 billion yen, up 4 billion yen over the previous forecast.

ii. Segment performance

Segment results are as follows. (Segment results include internal sales or transfers between segments.)

Civil Engineering

Civil engineering projects in the construction business operated by the Company

Revenues increased 14.3% year on year to 298.2 billion yen (compared with 261.0 billion yen in the same period of the previous fiscal year) due to steady progress especially on large-scale projects.

Operating income increased 57.1% to 24.4 billion yen (compared with 15.5 billion yen in the same period of the previous fiscal year) due to higher revenues and an improved gross profit margin.

Building Construction

Building construction in the construction business operated by the Company

Revenues decreased 12.8% year on year to 748.7 billion yen (compared with 858.7 billion yen in the same period of the previous fiscal year) due to relatively low work volume on large-scale construction projects during the period.

Operating income decreased 27.1% year on year to 35.7 billion yen (compared with 49.0 billion yen in the same period of the previous fiscal year) due to a decline in revenues and a lower gross profit margin.

Real Estate Development and Other

Real estate development business, architectural, structural and other design business and engineering business operated by the Company

Revenues decreased 33.2% year on year to 35.1 billion yen (compared with 52.5 billion yen in the same period of the previous fiscal year) mainly due to lower revenues and gross profit in the real estate sales business.

Domestic Subsidiaries and Affiliates

Sales of construction materials, special construction and engineering services, comprehensive leasing business, building rental business and others mainly in Japan operated by domestic subsidiaries and affiliates

Revenues fell 5.5% year on year to 255.2 billion yen (compared with 270.1 billion yen in the same period of the previous year), and operating income declined 40.9% year on year to 11.5 billion yen (compared with 19.5 billion yen in the same period of the previous fiscal year). This decline was in comparison to the notably high revenues and operating income in the same period of the previous year driven by sales of real estate for sale held by real estate development-related subsidiaries and affiliates.

Overseas Subsidiaries and Affiliates

Construction business, real estate development business and others overseas such as in North America, Europe, Asia, Oceania, and other areas operated by overseas subsidiaries and affiliates

Revenues increased 21.2% year on year to 771.2 billion yen (compared with 636.3 billion yen in the same period of the previous fiscal year), mainly due to higher revenues in the construction business and the real estate development and other businesses in the U.S. and Europe.

Operating income increased 107.2% year on year to 17.2 billion yen (compared with 8.3 billion yen in the same period of the previous fiscal year) due to an increase in gross profit in the construction business in Southeast Asia and a higher gross profit in the real estate development and other businesses in the U.S. compared with the same period of the previous fiscal year.

(2) Overview of consolidated financial position for the third quarter of the fiscal year ending March 31, 2025

Total assets at the end of the third quarter were up 261.7 billion yen year on year to 3,396.9 billion yen (compared with 3,135.1 billion yen at the end of the previous fiscal year). The increase was accounted for by a 110.7 billion yen increase in notes and accounts receivable – trade, a 48.1 billion yen increase in property and equipment, and a 34.0 billion yen increase in inventories (real estate for sale, construction projects in progress, development projects in progress, and others).

Total liabilities increased 285.5 billion yen year on year to 2,197.0 billion yen (compared with 1,911.4 billion yen at the end of the previous fiscal year). This was mainly due to an increase in interest-bearing debt* of 318.7 billion yen. Interest-bearing debt was 931.3 billion yen (compared with 612.6 billion yen at the end of the previous fiscal year).

Total equity, including shareholders' equity of 947.4 billion yen, accumulated other comprehensive income of 234.2 billion yen, and noncontrolling interests of 18.1 billion yen, decreased by 23.7 billion yen year on year to 1,199.8 billion yen (compared with 1,223.6 billion yen at the end of the previous fiscal year).

In addition, the owners' equity ratio dropped to 34.8%, down 3.8 points compared with 38.6% at the end of the previous fiscal year.

* Total amount of short-term loans payable, commercial paper, bonds payable (including current portion of bonds payable) and long-term loans payable.

(3) Explanation of forward-looking statements for the forecast of consolidated financial results

Considering the trends in performance for the third quarter and the future business environment, the Company has revised the full-year financial forecast announced on November 12, 2024 at the time of the announcement of financial results for the first half of the fiscal year ending March 31, 2025.

The Company's financial results are progressing according to plan in the construction and real estate development and other businesses. Profits are expected to exceed the previous forecast mainly due to an improved gross profit margin in the building construction business.

For domestic subsidiaries and affiliates, slightly lower profits are expected compared to the previous forecast, when considering the performance trends at each company. On the other hand, for overseas subsidiaries and affiliates, both revenues and income are expected to exceed the previous forecast mainly due to a higher gain on sales of properties in the U.S. distribution warehouse development business and an increase in foreign currency translation effects caused by exchange rate changes (from JPY142.73 : US$1.00 in the previous forecast to JPY158.18 : US$1.00 as of the end of December 2024).

Reflecting this outlook, the Company forecasts revenues of 2,870 billion yen, up 2.5% from the previous forecast, operating income of 144 billion yen, up 2.9%, ordinary income of 147 billion yen, up 2.1%, and net income attributable to owners of the parent of 120 billion yen, up 3.4%.

For details, see “Announcement of Revisions to the Financial Results and Dividend Forecast” released today (February 12, 2025) and “Financial Highlights (Forecast of Operating Results)” on page 10 of Financial Statements (April 1, 2024, to December 31, 2024).

Disclaimer: This document is a partial English translation of the Japanese Financial Statements which are filed with Stock Exchanges in Japan on February 12, 2025. The Company provides this translation for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.